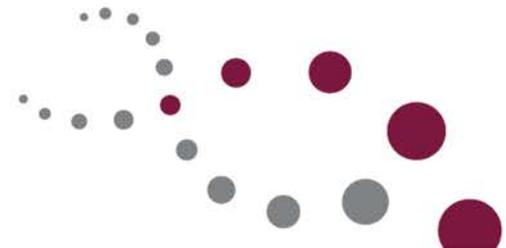


Managing Unspent Endowment Payouts

ADRP—NYC

March 13, 2015

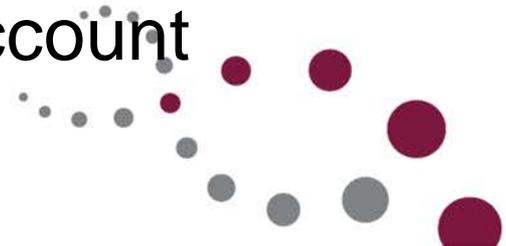


Definitions

- Permanently restricted endowed fund
 - Principal never invaded; income distributed annually
- Spending policy
 - Determines annual flow of funds from endowment to operating budget; board sets spending rate
- Endowment payout
 - Can be calculated by multiplying spending rate to amount in endowed fund

Step 1: Identify unspent payouts

- “Sweep” of endowment payouts?
 - Account balance is zeroed at end of fiscal year (FY)
- Accumulation of balances?
 - Any unspent monies carried over into next FY
- How to check?
 - Multiply fund principal by spending rate; compare to amount in payout account

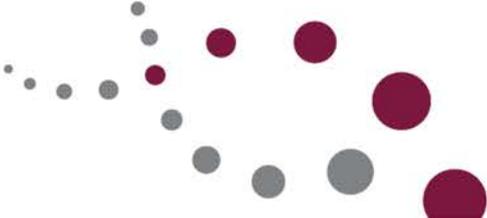


How to check?

Example 1

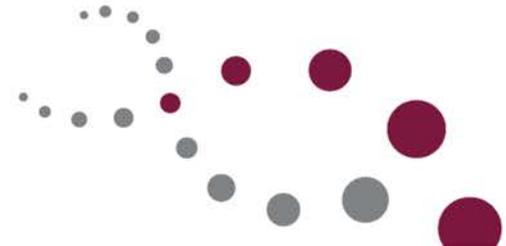
- Endowment principal:
 - \$400,000
- 5% as spending rate:
 - \$20,000
- Payout account at beginning of FY:
 - \$50,000
- Unspent funds from previous FY(s) allowed to accumulate into this FY
 - If not addressed, could accumulate into significant sum

Example 2

- Endowment principal:
 - \$50,000
 - 5% as spending rate:
 - \$2,500
 - Payout account at beginning of FY:
 - \$2,800
 - Only \$300 carried over from previous FY(s)
 - Not problematic at this time
- 

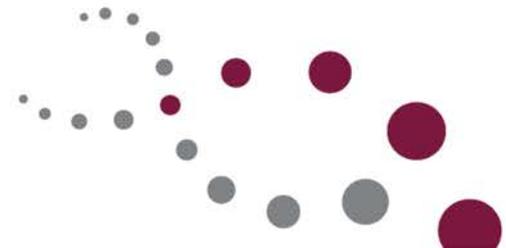
Step 2: Gather key information

- Problem: different groups with different information about same fund
- Solution: gather and synthesize information
- Goal: create one accurate and permanent record that can be used by all
- **Partnership** among departments to share and update information



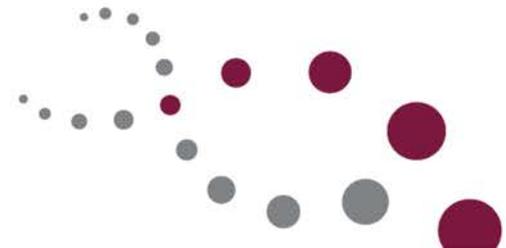
Step 3: Organize key information

Account number	Name of fund	Fund Administrator	Total market value	Fiscal year payout	Amount in payout account	Criteria
<ul style="list-style-type: none"> • Should differentiate fund types • Finance 	<ul style="list-style-type: none"> • Donor wishes • Audit among departments 	<ul style="list-style-type: none"> • Use position, not name • Use highest-level position • Audit among departments 	<ul style="list-style-type: none"> • FMV of fund • Finance 	<ul style="list-style-type: none"> • As determined by spending rate • Finance 	<ul style="list-style-type: none"> • Available for immediate expenditure • Finance 	<ul style="list-style-type: none"> • When in doubt, FOLLOW DONORS' WISHES • Audit among departments



Step 4: Analyze information

- Sort funds in descending order by “Amount in payout account”
- Determine threshold where amount of unspent monies is unacceptable
- Provides list of “offenders”
- Starting point for action

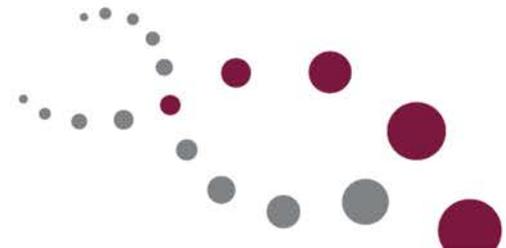


Sample chart of funds

Name of Fund	Fund Administrator	Total Market Value (6/30/13)	FY14 Payout	Amount in Payout Account
John Smith Endowed Chair - Pharmaceuticals	Provost	\$1,165,173	\$68,997	\$429,390
James Donor Endowed Chair – Chemistry	Provost	\$4,271,381	\$240,683	\$405,341
Jill Miller Endowed Research Professorship	Director of Research	\$2,000,000	\$103,848	\$310,835
Shirley Doe Deanship	Provost	\$1,416,408	\$83,874	\$216,931
Margie Library Endowed Fund	University Librarian	\$305,319	\$18,080	\$121,197
Fly Away Endowed Study Abroad Fund	Director, Study Abroad	\$214,895	\$10,491	\$73,078
Drug Pharmacology Research Fund	Dean	\$204,734	\$12,124	\$63,400
Jolly Good Endowed Fellowship	Director of Research	\$133,842	\$7,926	\$42,548

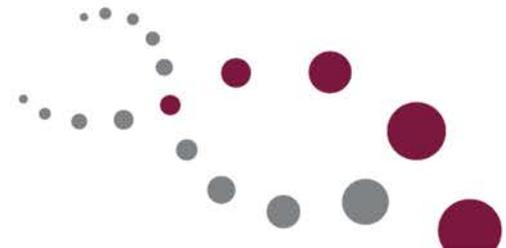
Step 5: Formulate action plan

- Group highest unspent payouts by administrator
- Prepare specific report for that administrator with key information
 - Education and training– critical
 - Fund Administrator Training sessions



Step 6: Implement action plan

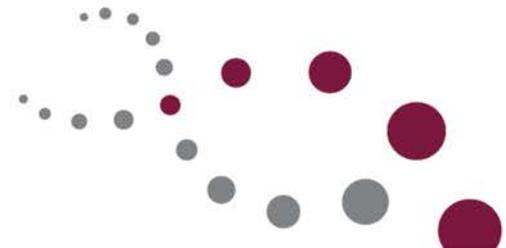
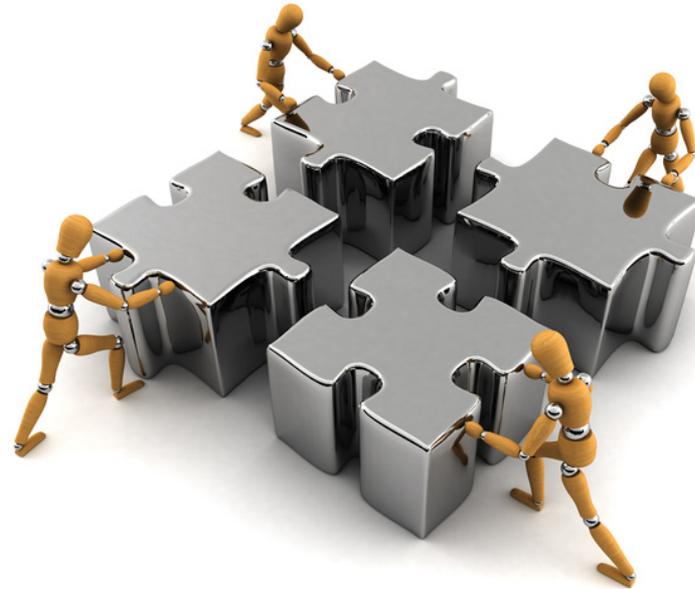
- Schedule review meeting with administrator
- Possible reasons for not spending:
 - Added extra requirements over the years?
 - Difficulty identifying appropriate recipients?
 - Need to allow payout to accumulate so have funds to use in subsequent years?
 - Unaware that s/he was listed as administrator?
 - Saving for rainy day?
- Follow up as FY end approaches



Action plan is...

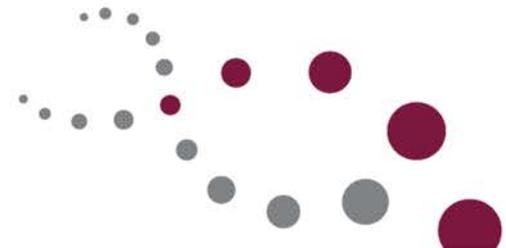
a partnership

among different
groups within the
organization to be
certain that it is
respecting the
donors' wishes.

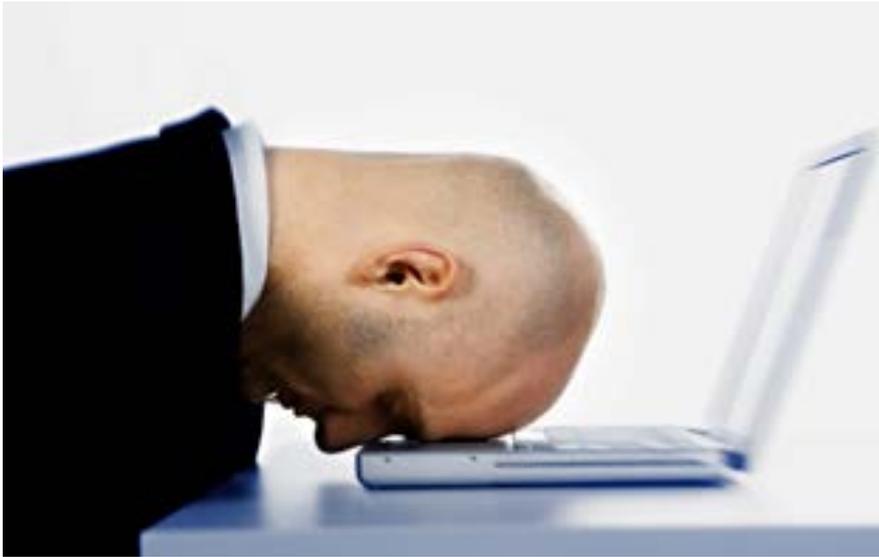


Importance of spending funds

- Maintain and respect donor trust
- Ability to report to donors
- Difficult to ask for more money when previous gifts haven't been spent
- Offset operating expenses



Troubleshooting



- Refusal to share information
- Inappropriate use of funds
- Continued refusal to spend money



Thank you!

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